

Message Text

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PAGE 01 STATE 189841

60

ORIGIN XMB-07

INFO OCT-01 EA-11 NEA-14 ISO-00 AID-20 CIAE-00 COME-00

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DRAFTED BY XMB:RSHROBE

APPROVED BY EB/OCA/REP:GPWILSON

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R 291509Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

AMEMBASSY NEW DELHI

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SAUER EXIMBANK

HOLD FOR ARRIVAL FO EXIMBANK CHAIRMAN WILLIAM J. CASEY

E.O.11652:NA

TAGS: EGEN

SUBJECT: APPLICATION OF J.K. INDUSTRIES FOR TIRE PLANT
FINANCING

WITH RESPECT TO APPLICATION OF J.K. INDUSTRIES FOR EXIMBANK
DIRECT CREDIT TO ASSIST IN FINANCING U.S. EQUIPMENT VALUED
AT APPROXIMATELY \$6.3 MILLION FOR A TIRE FACTORY IN RAJASTHAN
PROVINCE ESTIMATED TO COST APPROXIMATELY \$31 MILLION, J.K.
INDUSTRIES HAS NOW OFFERED FULL UNCONDITIONAL REPAYMENT
GUARANTEE OF NATIONAL AND GRINDLAYS BANK, LONDON, ENGLAND.
THE APPLICATION, WHICH WAS INITIALLY DENIED BY THE BOARD ON
JULY 8TH, PRINCIPALLY BECAUSE OF LOW EQUITY AND LACK OF
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PAGE 02 STATE 189841

SATISFACTORY REPAYMENT GUARANTEE, HAS ALSO BEEN STRENGTHENED

BY INCREASED EQUITY OF \$613,000 RAISING THE EQUITY LEVEL TO ABOUT \$10.6 MILLION OF 34 PERCENT OF TOTAL PROJECT COSTS. J.K. SYNTHETICS LTS. AND STRAW PRODUCTS LTD., TWO AFFILIATED COMPANIES, HAVE ALSO OFFERED TO JOINTLY GUARANTEE THAT FUNDS BE AVAILABLE TO MAINTAIN EQUITY TARGET LEVELS REQUESTED BY EXIMBANK FOR THE FIRST TWO YEARS OF OPERATIONS AND A RESERVE ACCOUNT IN BANK AT A LEVEL SATISFACTORY TO EXIMBANK FOR HOUSING REQUIREMENTS. J.K. SYNTHETICS LTD. AND STRAW PROJECTS LTD. APPEAR TO HAVE SATISFACTORY RESOURCES AND EARNINGS FOR THE PROPOSED.

WE HAVE BEEN ADVISED THAT J.K. INDUSTRIES MAY BE MEETING WITH CHAIRMAN CASEY ON SEPTEMBER 7TH TOGETHER WITH REPRESENTATIVES OF COMMERCIAL BANKS IN INDIA WHO ARE WILLING TO PARTICIPATE IN THE FINANCING. BASED ON J.K. INDUSTRIES REVISED OFFER, WE BELIEVE THAT THE BANK COULD NOW GIVE SERIOUS CONSIDERATION TO THE PROPOSED FINANCING. KISSINGER

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